

Finding 123 - DOT does not have a disaster recovery plan.

Response - NCDOT has been working with SIPS for over three years to develop a disaster recovery plan for our computing resources. This was an absolute prerequisite for any additional business recovery planning. SIPS has recently contracted for a disaster recovery hot site and this contract includes recovery of critical NCDOT applications. NCDOT has been working with the SIPS contractor to develop a proposal for a comprehensive business recovery plan to work with the computer disaster recovery plan. This proposal is almost complete and NCDOT should be able to contract for this service by December 1, 1992.

NCDOT has multiple AS/400 minicomputers in multiple locations and will be its own disaster recovery hot site. Backup computer tapes are stored offsite for recovery purposes. The Business Recovery Plan will address the application on the AS/400 computers.

Finding 124 - DOT's Management of telecommunications is fragmented.

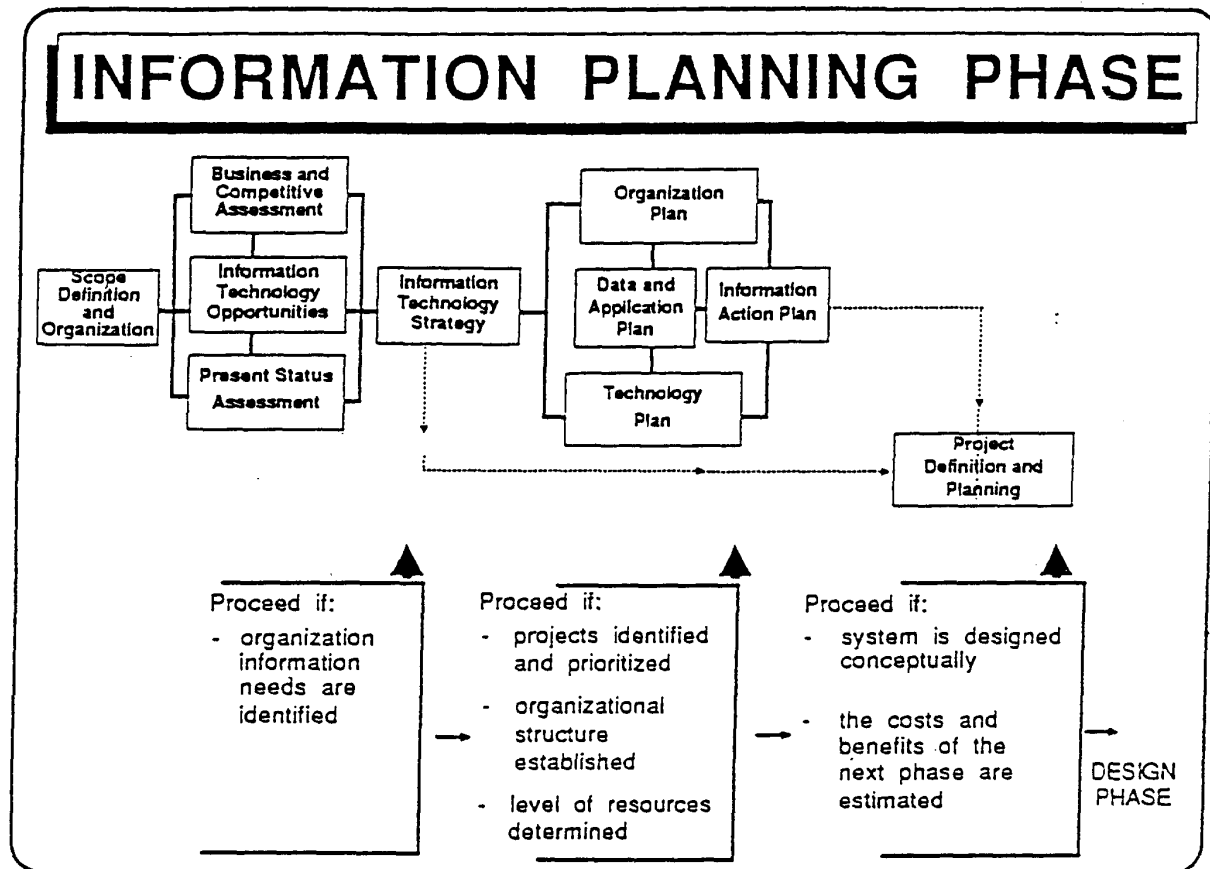
Response - We are in agreement with the finding and are developing an organizational plan that will consolidate the voice and data communications support and management.

Finding 125 - Current application system security practices are obsolete.

Response - NCDOT has in the recent past developed two RACF implementation plans. Unfortunately these plans required thousands of man hours of effort towards modification of 30 year old systems that we are rigorously trying to replace. NCDOT is now in a position with plans and funding for several major systems replacements to amend the existing RACF plan to include only those systems that are not currently scheduled to be replaced. Priority will be given to implementing RACF in these systems.

Finding 126 - DOT handles production control of its application systems differently from all other agencies running at SIPS.

Response - We are in agreement with your finding and have held discussions with SIPS previously. SIPS has not been willing to return any operations staff and their positions but desired that NCDOT establish and fund new positions to perform these tasks. NCDOT does not find this to be an equitable nor acceptable option. NCDOT will continue to discuss this with SIPS and Office of State Controller Management to reach a workable solution before any of the new major systems goes into production.



ATTACHMENT A



EMPLOYMENT SECURITY COMMISSION OF NORTH CAROLINA

POST OFFICE BOX 25903, RALEIGH, NORTH CAROLINA 27611

September 18, 1992

Mr. Curtis Clark, Director
Government Performance
Audit Committee
Legislative Office Building, Room 612
300 North Salisbury Street
Raleigh, North Carolina 27603-5925

Dear Mr. Clark:

Attached is the Employment Security Commission's response to the findings and recommendations from the field work on the Phase I Performance Audit of the Information Technology and Telecommunication System.

As I am sure you are aware, the ESC is highly automated and has used automation to support increased workloads with a declining staff level-from 2311 to 1637 over the past several years. As I am also sure you are aware, the ESC has made a request to spend some of its Federal dollars to acquire a processor of its own to provide its support at a considerable savings to the agency and with an improved level of service. The ESC having a separate data center could be of significant benefit to the State by providing the capability for some back-up and recovery. We are cognizant of our role in the State data processing environment and currently share our information with more than two dozen agencies on an agreement basis. We could maintain the compatibility to insure we are a fully integrated member of the data processing family.

I think it would be appropriate for the audit of the Information Technology Systems to include a review of this request. I understand that virtually all of the information has been collected as part of Phase I to allow a thorough review in a very short time frame. KPMG Peat Marwick has scoped that effort at less than 5 work days. This review could be the basis of a recommendation to the Information Resources Management Commission. The Employment Security Commission will be glad to reimburse the GPAC committee for the review cost if appropriate.



Mr. Curtis Clark, Director

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September 18, 1992

We are confident that our business case and service issues will result in a favorable recommendation. ESC has the funds available to cover all expenditures related to the processor installation and support. ESC has been garnering these funds and must use some of them by year end to avoid a reversion of some \$2.5 million dollars.

I would appreciate your consideration of this request and am available to discuss it. Thank you for your attention in this matter.

If you need further information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ann Q. Duncan', with a stylized, flowing script.

Ann Q. Duncan
Chairman

EMPLOYMENT SECURITY COMMISSION'S RESPONSE
TO THE
GPAC PHASE I REVIEW

September 18, 1992

Finding 127

It is a strongly held ESC philosophy that an operational LCM should be concise and applicable to the work being performed.

The Arthur Anderson LCM and CASE products were reviewed by our staff as early as 1988 and rejected. These products greatly increase the administrative overhead involved in bringing a project to implementation. They are of marginal benefit in organizations such as ESC where there are a great deal of imported software packages. There is a significant learning curve. They ignore the strengths and weaknesses of the staff by attempting to force every project leader, analyst, or programmer into the same mold. These tools do not insure a better, more innovative, and cost-effective solution to our business problem; people do that.

ESC has been highly successful at implementing technology without a formal LCM. We believe that our success is based on a strong management commitment to technology, cost-effective implementation of that technology, and elimination of bureaucracy.

While ESC intends to formalize and publish guidelines in a manner that supports our LCM, ESC does not believe that published guidelines will have a measurable impact on our success. The key components are already in place and are being followed. Our users are satisfied. We do not intend to introduce additional overhead and increase bureaucracy without a demonstrated business need and identifiable return on investment.

The Commission believes that it is vital for staff in Information Systems to understand the Agency's business. While this might be accomplished through LCM, CASE tools, and interchanging DIS staff, we believe that there are better, more cost-effective ways. The State needs to focus on attracting good staff, giving them the training and tools they need to get their job done, and providing active management involvement. ESC has done this.

ESC is very selective about filling staff positions; we will supplement the staff with outside contractors rather than fill a position inappropriately.

ESC is strongly committed to training and development; the Commission makes heavy use of the McKimmon Center at NCSU for both IS staff and key end-users. We encourage communication between end-users and the technical staff.

Staff within the Agency have a wide variety of tools at their disposal. Every permanent IS staff member has a PC. We have adopted Symantec's Timeline for project management, Intersolv's Excelerator as a CASE tool, Wordperfect for word processing, and SYSM for electronic mail; however, analysts and project managers are encouraged to select the most appropriate tool for the job. Sometimes, that tool is simply a pencil and a piece of paper.

Management is actively involved in the project life cycle. This is accomplished through written periodic status reports, walk-throughs, and periodic informal meetings. This involvement is tailored toward the individual and the criticality of their work.

Finding 128

ESC agrees; however, these procedures are already in place in various forms and are being followed. ESC intends to formalize and publish policies and procedures; however, we do not believe that published procedures will have a measurable impact on our success.

ESC recognizes this as a significant task. Our focus on developing software systems that deliver service to the citizens of this State holds a much higher priority than the administrative task of producing volumes of documentation; as a result, we have contracted with Keane, Inc. to transform our informal collection of policies and procedures into a formal standards manual. The contract was awarded in June 1992 and project completion is scheduled for December 1992.

Finding 129

ESC agrees. The Information Systems Department must serve the entire Agency. Many recent initiatives have crossed division boundaries. Although there has not been a significant problem in the past, it is possible that one might develop as we move toward tighter integration between the divisions. An independent Information Systems Director may be better equipped to advise management on information technology decisions and arbitrate disagreements.

Some action has already been taken. Recently, the Information Systems Department assumed responsibility for cable installations, telephone systems, and FAX from the Support Services Department. The Department has also been given the authority to manage planned LAN and imaging installations.

At the appropriate time the Chairman intends to implement an organizational change which will have the Director of Information Systems reporting directly to her. The IS Director already meets weekly with other agency Directors in the Chairman's executive staff meetings for information exchange and short range planning.

Finding 130

ESC disagrees with this finding. It is true that Computer Operations does not maintain a log of personnel authorized to receive reports. We do not consider this a particular weakness. There is a significant cost relative to the benefits of maintaining such a log.

Unlike many state agencies, output is maintained at a control desk that is manned by day, and secured at night. Reports must be requested from a clerk who mans the desk. There is low turnover at the Commission. Routine reports are generally picked up by the same person at the same time each day. The control desk staff know the person picking up the output and are encouraged to question unusual situations.

Instances of lost or misdirected reports are relatively rare. Some of these reports are lost or misdirected outside the computer operations facility. Regardless of where the problem occurs, the report must be reprinted.

The action the Commission has chosen to address this concern is to move many reports into RMDS. This facility allows reports to be viewed on-line and printed on a demand basis. RACF restricts access by report to authorized individuals. A secondary part of the product decolates and bundles printed reports for end-users and produces a manifest of the reports included in each bundle.

We believe that the present controls over computer output are adequate. The introduction of a log as suggested will not appreciably improve security or decrease the incidents of lost reports; it will, however, significantly increase administrative overhead in this area.

Finding 131

1. Data Center Policies and Procedures

ESC agrees. Since February 1992, the new Computer Operations Manager has developed and strengthened many of the data center policies and procedures. These policies and procedures are primarily in memoranda form. We believe that they are adequate for our operation.

As indicated under finding 128, ESC intends to formalize and publish policies and procedures; however, ESC does not believe that consolidated published procedures will have a measurable impact on our success. We have contracted with Keane, Inc. as described in Finding 128.

2. Run Books

ESC made the decision to eliminate paper run books several years ago. There are a number of problems associated with paper run books. They are difficult to write and even harder to keep up to date. A good portion of the run book duplicates things that are already included in the JCL. They are inaccessible to remote staff who are on-call. Maintenance of off-site copies for disaster recovery is cumbersome and prone to error.

ESC has a published JCL standard that prescribes where and in what format this information should be recorded. While some older systems are not fully compliant, many are. The Technical Support Manager has been assigned the project of reviewing existing JCL and working with the teams to ensure full compliance and develop a process to ensure their currency.

ESC believes that this method is effective and highly preferable to maintaining paper.

3. ZEKE

ESC questions the business need for Zeke in our organization. Many of our jobs have been structured to handle the submission of subsequent jobs automatically. In many systems, propagation of data through control cards is also handled automatically through application programs.

Although this product was examined and rejected several years ago, we believe that it deserves a second look. A review is underway and a demonstration is scheduled for the end of October 1992. This demonstration should define the benefits of using Zeke and ESC can determine if those benefits are sufficient to warrant the significant amount of effort to implement it for all our production systems.

4. Tape Management

ESC does not understand the finding regarding our tape management procedures.

All production tapes are logged under the TMS system at SIPS. These tapes are created and housed at SIPS. Critical tapes are stored offsite. (ESC was instrumental in forcing the offsite storage issue with SIPS.)

Tapes on site at the Kendall facility are primarily foreign tapes sent to us quarterly by employers. They contain a wide variety of sizes, densities, and volume serial numbers. These tapes are identified by external labels keyed to our wage record system. They are here for a very limited period of time. They require no retention, cycle control, or off-site storage strategy. The tapes are logged and returned to the employer quarterly. However, because of the increasing number of these tapes, we plan to implement a small automated system to facilitate their handling.

Most tape retention requirements are mandated by law or defined by State and Federal auditors. These retention periods are managed automatically through generation data groups or TMS retention dates.

Finding 132

Since this finding was written, Operations has established and filled a Help Desk position. All voice, data, communication line, hardware and FAX problems are now being received and logged. Plans are underway to add personal computer trouble calls to the Help Desk. Application problem calls will be added after that. We have implemented an automated inventory/problem tracking system called CATS which manages the problem tickets, service history, and maintains an inventory of all in-house hardware and software. This system now runs on a personal computer but plans are underway to put it all on a LAN. This will permit us to include all in-house trouble calls and permit the software support staff to respond more effectively.

Finding 133

ESC agrees; however, we question the need for consolidated plans. There has been no requirement for consolidated project reporting to our ADP Executive Committee. Our reporting scheme is periodically reviewed with the Executive staff and they have stated that they are satisfied. Each Division Director maintains IS staffing at the level that he feels is appropriate and there are rarely conflicts of priorities or missed expectations.

ESC is searching for automated project management software that will provide the correct level of reporting and review without introducing significant administrative overhead. We have been unable to locate such a package so far.

ESC believes that one of the keys to success is effective, timely communication between the project team, IS management, and the user. While consolidated project plans might offer a vehicle for accomplishing this, they do not ensure success and may, in fact, hinder progress; in some circumstances, the process provides an opportunity for unaffected management to introduce politics into the process. Each user department has one or more ADP coordinators that are involved with DIS on a daily basis preparing service reports, and participating as team members on automation projects. These individuals report to the user management and provide additional project reporting and prospective for the Director.



ADMINISTRATIVE OFFICE OF THE COURTS

JUSTICE BUILDING

P. O. BOX 2448

RALEIGH, NORTH CAROLINA 27602

FRANKLIN FREEMAN
DIRECTOR

DALLAS CAMERON
ASSISTANT DIRECTOR

November 19, 1992

Mr. Curtis Clark
Director
Government Performance Audit Committee
Room 612
Legislative Office Building
300 North Salisbury Street
Raleigh, North Carolina 27603-5925

Dear Curtis:

Enclosed, please find the Administrative Office of the Courts response to the Phase I Performance Audit of the Personnel System and the analysis of the Information Services Division of the AOC.

On behalf of Chief Justice James Exum and the North Carolina Judicial Branch of Government, I appreciate the opportunity to respond to these portions of the Performance Audit, and I appreciate your indulgence with my tardiness. Because of the importance to the judiciary of the issues raised in the Personnel audit, I particularly wanted a thorough review of our response. That required me to circulate a draft to selected judges, district attorneys, and clerks of court throughout the State.

If these matters are scheduled for presentation to the committee or if I can provide further information or be of further assistance, please call me.

With warm personal regards,

Sincerely,

A handwritten signature in cursive script that reads "Franklin".

Franklin Freeman

cc: Chief Justice James Exum, Jr.
Chris Marks
Ivan Hill
Fran Taillefer

**Administrative Office of the Courts
Response to the Phase I Performance Audit
of Information Technology Systems
as it Concerns the Information Services Division
of the Administrative Office of the Courts**

The audit findings and recommendations included in the Government Performance Audit Committee (GPAC) draft audit report with respect to the Information Services Division within the Administrative Office of the Courts (AOC) are accurate and reflect valid concerns that we also share.

We appreciate the GPAC's recognition of the efforts made by the AOC to comply with the State Auditor's recommendations. Even so, the GPAC report notes that some recommendations of the State Auditor remain to be implemented. The AOC concurs that it is desirable to fully implement all the recommendations, and we remain committed to that goal.

Achievement of our goal for full implementation of these recommendations has been elongated due to the limited amount of personnel we have available for this task. As part of our FY 1993-95 Expansion Budget request, we will be seeking legislative funding support for personnel to address the areas of disaster recovery, capacity and performance management, and business emergency planning. In the mean time, we will, within available resources, continue our efforts toward full compliance with the State Auditor's recommendations.

Response of
Administrative Office of the Courts
to Selected Findings of Phase I
Performance Audit of the Personnel System

Experience-based Compensation System for Judicial Officials

Consider the following scenarios which are likely to occur daily in the courts of North Carolina:

The victim's family is crying. The defendant is staring, stone-faced. The district attorney is arguing with the defendant's lawyer about whether a critical piece of evidence is to be admitted. It is a close case, one for which there is not established precedent, and the ruling will in effect determine the case. Who makes the call? A judge of the superior court. The evidence is admitted, the defendant is convicted and the jury finds the death penalty is justified. Who has to look the defendant in the eye and tell him he will be put to death? The same judge of the superior court.

A prominent governmental official is suspected of taking a bribe. He has many friends who believe he is being harassed. Many other citizens believe a cover-up is in the making. Who decides if the prosecution should continue or be dismissed? A district attorney.

Two brothers are each trying to become the guardian of the estate of their incompetent sister. The estate has the controlling shares in a multi-million dollar family business. The business provides most of the jobs in the small town in which they live. Who decides who will be the guardian, and thus who will control the business? The clerk of superior court.

A family of four is splitting up. The father and mother have irreconcilable differences. The children want to live with the father, but the mother fears that the father's lifestyle will not provide the guidance the children need. Who decides where these children will call home? A district court judge.

These are typical of the kind of decisions elected judicial department officials make every day. The most intractable social, business and personal problems in our society all find their way into our courtrooms. It is one of the characteristics of a democracy that its citizens place the full power of the state in the hands of some of their fellow citizens and ask them to use it wisely in passing judgment on others. It is one of its strengths that they do. It is a daunting task, and one in which wrong judgments can haunt a person for the rest of his or her

life. It is also a job done in a fishbowl - in public for everyone to see, evaluate and criticize.

To tighten the pressure valve a little tighter, all these officials also regularly face an evaluation of their work in the most public of settings - the ballot box.

The decisions these officials make affect the lives of people permanently. There is no course one can take to prepare for these kinds of decisions. The best course is experience.

The practice of paying more for people with on-the-job (or equivalent) experience recognizes the value of that experience. That has been North Carolina's policy. There is no reason to change it now.

Elected officials in the judicial branch, as well as a few key appointed officials, are paid a base salary, set by the General Assembly. They then receive at each succeeding five year interval (until they reach 20 years), an increase in compensation of 4.3% of their base pay. This longevity pay is applicable to judges, clerks, district attorneys and their assistants, public defenders and their assistants, and the Director and Assistant Director of the Administrative Office of the Courts. Under the controlling statutes, it is "[i]n lieu of merit and other increment raises paid to regular State employees". It is the sole method for encouraging experienced elected and other highly important judicial officials to remain on the job through pay increases earmarked at those most needed by the system.

By statute, the rate paid is higher than that paid for "regular State employees" and it begins to be paid after five years instead of the ten year minimum for "regular State employees".

The draft report prepared for the Government Performance Audit Committee recommends that this "longevity pay" be eliminated for judicial officials. That recommendation is based on two assumptions: That the money used for longevity pay should be shifted to provide raises based on performance, and that it is unequal to provide judicial officials with longevity pay at rates greater than those provided to "regular state employees".

To understand why this recommendation should be reconsidered, it is helpful to contrast the fairly simple system for compensating elected judicial officials with the compensation system for "regular State employees". That system has salary grades, merit increments, and longevity pay. Longevity pay is a small part of the compensation system for these state employees. Of far more importance is the prospect of job reclassifications, promotion to another

position, and step increases in the grade. Longevity pay's relative importance is evidenced by the method of payment - a lump sum paid once a year. It is hard to rely on that kind of payment in constructing a monthly budget. Finally, "regular State employees" have the benefit of job security under the State Personnel Act.

The recommendation has the apparent appeal of treating everyone equally. But it doesn't do that. To do that, judges, other elected officials and key appointees would have to be given the job security equivalent to that in the State Personnel Act. They would also have to be evaluated by someone with power to give them performance-based raises. Neither is traditional nor appropriate for these officials.

An elected official is answerable to the electorate; it is not a very secure employment arrangement. The appointed officials covered by this compensation system have no greater job security; they either are appointed directly by an elected official for fairly short terms of office or serve at the pleasure of one. North Carolina has wisely stayed away from having one elected (or even worse, a non-elected) official determine pay raises for other elected officials. That is the job of the General Assembly, speaking as a body. To do otherwise would seriously impair the independence of the judiciary; that is in part why it is elected in the first place. It would also fail to recognize the inherent difficulty in evaluating one whose mission is to do justice by using traditional measures of productivity. The one venture in this arena (merit pay for elected clerks, in the discretion of the Administrative Officer of the Courts) was abandoned as unworkable and inappropriate for elected officials shortly after its implementation in the 1970's.

If performance pay is inconsistent with judicial office, then the virtue of the current system of encouraging experienced officials to remain on the job through increments becomes clear. It provides an incentive without impairing the independence necessary to do the job.

The current system also compensates for the other opportunities for compensation increases available to regular State employees--thus the language "[i]n lieu of merit and other increment raises paid to regular State employees" precedes every statute setting up an experienced-based compensation system for judicial officials. The legislature recognizes that longevity pay for "regular State employees" is a small part of their compensation package, but it is a critical part of a judicial system compensation package that encourages its experienced decision makers to remain on the job.

Equal is not always equitable. Court officials know that--they spend their careers applying general rules to individuals, some of whom are deserving of mercy instead of equality. This recommendation would treat judicial officials equally but not equitably, given their compensation scheme and lack of job security. There is no reason to change the current system.

The Judicial Retirement System

The draft report also questions the need and cost effectiveness of the judicial retirement system. Almost every state has a retirement package for judges that is different from that for other governmental employees. They all are designed to attract and retain quality judges by taking into account the unique career pattern of judges and other judicial officials.

Most public retirement systems are predicated on the employee serving most or all of an entire career in government service. That rule, which is rational for most kinds of government service, is the last thing a state should want for its judicial officials. It should seek out as judicial officials people who have done other things, and who come to the court system as experienced, seasoned individuals to make some of the most important decisions the government can make.

Judges benefit greatly from experience in the law as advocates. District Attorneys benefit from court experiences in which they do not have the full power of the state behind them. Clerks of court make many decisions dealing with the status of persons or the value of property. Each has the substantial amount of discretion necessary to apply general rules of law to individuals. Simply put, all these officials need to know about the business of living before they begin to sit in judgment of others. As noted earlier, there is no way to fully prepare for that task. But the on-the-job training required is much more effective if these officials have experience in related fields first.

To serve that end, the North Carolina judicial retirement system is designed to make it possible for middle aged people to become judicial officials and still leave the system with a reasonable retirement. The average age for persons becoming judges is over 40. To be a judge, one must be a lawyer. The prime earning years for lawyers in private practice are their 50's and 60's. So the transition to the bench for private practitioners usually means two things-- lower initial pay and loss of the prime earning years in which to build a nest egg for retirement. The first is not always true of publicly-employed lawyers, but the state has

wisely adopted a retirement plan that makes it possible for both private and public lawyers to seek office.

The judicial retirement system compensates for that loss of the prime earning years. It allows full retirement after 24 years of service, and by allowing benefits (the percentage of final annual compensation paid to retirees) to be accumulated at rates between 3% and 4% a year, it allows adequate retirement benefits to be accumulated quickly enough for middle aged lawyers to become judges and still provide for an adequate retirement, even though the official is not able to serve the full 24 year period.

One other factor is relevant. All the officials covered by the judicial retirement system (except the Director of the Administrative Office of the Courts) are elected. One has to be an elected official to fully appreciate how insecure the position can be. The election process exists to promote accountability of key governmental officials. But the state's interest in accountability is not served well if its policies don't attract the best candidates possible. The judicial retirement system contributes to the state's ability to attract strong candidates for judicial office by making the risk of not being able to finish one's career a little less financially burdensome.

The report notes that "justifications for existing inequities need to be balanced against the State's ability to fund post-retirement benefits." It is a reasonable question to ask. But the judicial retirement system, like the experienced-based compensation system for court officials, is a carefully targeted approach to compensation that serves the important public policy of attracting and retaining the highest possible quality of judicial officials. The quality of justice is a central measure of a democracy's effectiveness. Both these features of the judicial compensation system are investments in that effectiveness. If justice matters to us as a State, we can't afford not to make these investments.

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Peat Marwick is dedicated to bringing
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